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Montana State Librarian



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Inside Commerce is published six times a year as an informational and educational tool for Montanans interested in public policy implementation through the Department of Commerce.

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Perspectives



Paul Schmechel is chairman and chief executive officer of Montana Power Company. The company, with a home office in Butte, is one of the state's largest corporations and provides electricity and natural gas to two-thirds of the state.

At a recent groundbreaking in Butte for the United States High Altitude Sports Center, Lt. Gov. George Turman said the facility would draw international competition, and a city that calls itself Butte, America, "was going to have to change its name to Butte, World."

I believe Montana realizes it, too, must broaden its perspective and think in terms of world markets and a global economy. The state has been moving in this direction—through Gov. Ted Schwinden's leadership, through the efforts of the Montana Ambassadors and with the assistance of many, many individuals. We can see new life take shape with the Advanced Technology Park in Bozeman; the new business incubator in Butte; and the new talc mine and milling operations in southwestern Montana.

Copper mining in Butte is struggling to make a comeback and Western Energy Company is expanding its horizon in Brazil.

On the heels of this good news is news that isn't so good—farmers will see better crops but prices are down; oil and gas exploration has slowed dramatically; and the wood products industry is in transition. Livestock has yet to rebound. These businesses also have their international side.

Hope always follows faith. I have faith that Montana will survive—not just barely but robustly. Montana has worked through its difficulties in the past. I am confident we have the ability to analyze our economy and strengthen it, and I know we can find new ways to forge a successful future. But to do what is necessary requires the cooperation of all Montanans.

At a recent "Montana—An Economy In Transition" conference which was jointly sponsored by Montana Power, the Governor's Office, Montana Ambassadors, the Montana International Trade Commission and the Montana Department of Commerce, Dr. David Birch, prominent researcher on small business from the Massachusetts Institute of Technology (MIT), challenged Montanans to work together to light a new fire of prosperity—to find untapped resources in our universities and to learn from examples brought to us in new business ventures scattered throughout the state.

As one Montanan representing one corporation, I know that Montana Power will do its best to encourage this. We have a very distinct interest in the economic health of Montana and her people. But we want to be part of a team effort—working with government, educators, the media, industry, and our own neighbors.

As Gov. Schwinden remarked at the Economy in Transition conference, "A comment Hubert Humphrey once made sums up the task we have set for ourselves: 'we have to decide today whether we will design the future, or resign ourselves to it.'"

The process of designing Montana's future is underway. The governor has called for a task force to report to him in November with recommendations for an economic plan of action. This will not be an easy task, for their product will not please everyone. However, let us weigh these recommendations constructively. We must find the common ground on which to build a solid foundation that will nurture new ideas and enterprises while allowing established businesses to compete in new environments. No individual has all the answers to meet the challenges of a new world, but together we Montanans will find the answers to be an active part of that new world.

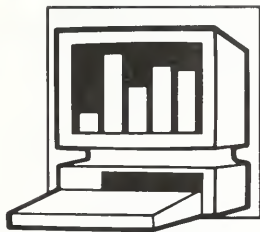
Paul Schmechel

ECONOMIC CONDITIONS IN MONTANA

Personal income grows

As reported in previous issues of this newsletter, the Montana economy performed poorly in 1985. This judgment was based on preliminary data for the year but more recent revised data support that judgment.

Preliminary income data recently released by the U.S. Bureau of Economic Analysis (BEA) for the first three months of 1986, however, indicate Montana's economy performed substantially better than in 1985. Between the fourth quarter of 1985 and the first quarter of 1986, personal income in Montana grew about 2% (a seasonally adjusted annual rate). This rate was approximately twice the national average and much higher than the growth rates for our neighboring states (North Dakota, South Dakota, Wyoming and Idaho).



The income growth differences among Northern Rockies/Plains states relate to the degree of dependence of their economies on agriculture and mining, and to each individual state's experience in these sectors and others over the time period in question. Overall, estimated personal income grew by 2.2% in Montana for the period of the fourth quarter 1985 to first quarter 1986. It grew by only 0.2% in Wyoming and declined by 0.6% in Idaho, by 2.4% in South Dakota and by 6.1% in North Dakota.

Worker earnings in all sectors of Montana's economy, excluding the military, were estimated to have increased over this time period. This was the most important factor causing

total personal income to rise. The largest dollar increases were in private services, construction, mining and state/local government. Incidentally, the increase for mining is in conflict with available employment data for this sector. All the personal income data will be revised in three months after more accurate information becomes available to BEA. Errors in specific sectors will tend to compensate for each other, however.

Another important factor in Montana's first quarter 1986 growth was the increase in transfer payments. A large component of this income category is social security and other federal retirement payments, which were adjusted upward for the cost-of-living last January. This adjustment will not occur in other quarters of 1986.

The decline in personal income for North Dakota, South Dakota and Idaho was primarily related to a decline in agricultural income. All these states are more dependent on agricultural income than Montana. Although earnings (wages/salaries and self-employment income) in Montana's farm/ranch sector remained negative in the first quarter of 1986, the level was estimated to be higher than for the last quarter of 1985. Agricultural income generally fluctuated more from quarter to quarter than other components of personal income. Partly because of this, it is one of the hardest components to estimate.

In the case of Wyoming, mining dominates the economy. Earnings in this sector declined between the fourth quarter of 1985 and the first quarter of 1986. They also declined through most of 1985. Transfer payments, property income (dividends, interest and rent), along with a few economic sectors increased some to cause a slight overall increase in total personal income for Wyoming for the time period in question.

From the national perspective, personal income (income received by persons from work, property and government transfer payments) in the

United States was estimated to have grown by only 1.1% from the fourth quarter of 1985 to the first quarter of 1986. The two biggest factors causing this slow growth were the decline in worker earnings in the agricultural and mining sectors. Agricultural earnings declined much more substantially than income of workers in mining.

On the positive side, there was strong growth in the finance, insurance, real estate, contract construction and private services sectors nationally.

Continued from page 1

Western Energy Company, Butte; M.K. Felt, president, Crop Hail Management and owner/developer, Eagle Bend, Bigfork; Billie Cordes, general manager, Cavanaugh's Motor Inn and the Kalispell Center Mall; Mike Art, owner, Chico Hot Springs, Pray; Norm Kurtz, president and general manager, The Big Mountain Ski and Summer Resort, Whitefish; Stan Watkins, president, Tiger-Tripp Transportation, Inc. and founder, Watkins-Shepard Trucking and Carolyn Watkins, general manager, Mountain Mall, Whitefish; and Lee Carothers, Montana division manager, Pacific Power & Light. The final ad in the series will be paid for by the department and will feature Governor Ted Schwinden.

The first three Wall Street Journal ads will run on August 11, 19 and 26.

DIVISION INVESTS IN VIDEO PROMOTION

The Travel Promotion Division is currently planning a new project designed to respond to the increasing demand for promotional materials in video form. The production and release of a series of video cassettes about the state will be financed jointly by state government and the private sector.

Impetus for the project came from the dozens of requests received for video footage of the state from travel agencies, television stations, universities, private video distribution businesses, video clubs and libraries seeking electronic information for clients.

"It's a great way for us to build an image of Montana," noted Travel Director John Wilson. "We're attempting to give potential vacationers a real sense of what Montana has to offer."

MONTANA
naturally inviting!

The project will yield a series of videos geared toward several different audiences. A half-hour version will be available to public and cable television stations and to video distribution companies. Travel agencies and tour operators will receive 15-minute summer and winter cassettes and the footage will be available, on request, to television stations for use in news stories. Six 8-minute versions of the video will tout the attractions in Montana's tourism regions. Private businesses will be able to add advertising onto these cassettes, which will then be suitable for private advertising. Chambers of commerce and other private or nonprofit organizations will also have access to the cassettes.

Earlier this year, the division hired Mark Singles, a Bozeman film consultant, to write both a description of the

film and technical specifications so the project can be bid upon by interested firms.

The total cost of the project is expected to be about \$120,000 with \$40,000 in state money being invested and the remainder coming from the private sector.

The division is currently contacting a number of Montana-based corporations about funding for the project and expects to have the fund raising completed by October 1.

Interested firms are invited to contact the Travel Promotion Division at 444-2654 to participate or to offer suggestions.

AD CAMPAIGN BREAKS RECORD

The 1986 Montana/Wyoming joint advertising campaign is just one of several promotions designed to generate inquiries from prospective vacationers. The campaign, which features the three national parks located in the two states, shows spectacular scenic shots of Yellowstone, Glacier and Grand Teton national parks. Sandra Guedes, advertising coordinator, reports that for the first time ever more than 100,000 inquiries were processed as a result of the campaign.

The ads, with the theme "America's Natural Parks," were placed in three magazines with a combined circulation of 8 million. By pooling financial resources with Wyoming and the three national park concessionaires, Montana's advertising dollars were stretched considerably.

Sunset Magazine, Better Homes and Gardens and Family Circle were the targeted publications for the campaign. *Sunset*, in particular, worked well for Montana with the magazine reporting that of all the ads placed in the March

issue, the Montana/Wyoming ad received the most inquiries at 33,200. In that issue, Montana "competed" against Bermuda, Great Britain, Mexico and New Zealand, the states of Idaho, Oregon, Hawaii and Utah and cities in Arizona and California.

Travel Promotion staff were pleased with the campaign cost-to-result ratio. For example, the Utah Travel Council's multiple page advertisement was produced and placed at a cost of \$670,000. By comparison, the Montana/Wyoming ad and accompanying response cards cost \$55,000 for production and placement, with Montana contributing only a portion of the total. Wendt Advertising of Great Falls, the division's print ad firm, produced the piece.

Other 1986 summer ad campaigns have also been well received, particularly the Invite-A-Friend program, which has enjoyed a 35.8% increase in inquiries over last year. As of June 1986, total inquiries were running 14% ahead of 1985.



ALLIANCE INVESTMENTS

The Montana Science and Technology Alliance board of directors voted unanimously in early July to make technology investments in five projects—Writing Software International, Inc., three projects at Montana State University and one project at the University of Montana.

Funds committed to the five projects total \$231,141, bringing total investment commitments by the Alliance to slightly less than \$1.3 million.

The board voted to invest \$50,000 in Writing Software International, Inc. of Missoula to help develop and sell its writing and publishing software products.



The three investments at Montana State University include \$81,713 for professor J. Denbigh Starkey to develop an applied research computer facility for use in solving natural resource and energy development problems; \$33,428 for professor Gerald Nielsen to develop a more efficient fertilizer and herbicide application system, and \$30,000 for professor V. Hugo Schmidt to develop a wind power generating system using new materials thought to be more efficient.

Finally, the board voted to invest \$36,000 over three years for University of Montana professor Nellie Stark to study huckleberry cultivation at various elevations in order to provide a stable crop source for the state's huckleberry industry.

All of the board's investments require matching funds and most

require a return on investment to the state, the terms of which will be negotiated.

The board also approved the investment terms on Western Energy Company's coal beneficiation process project. The board voted in April to invest \$350,000 in the company's process engineering study subject to negotiating final investment agreement terms.

MONTANA MARITIME PROJECT

The Transportation Division of the Department of Commerce has completed a two and one-half year maritime study entitled *The Feasibility of Stimulating Montana Exports Through Transportation Innovation*. The project's goal was to identify potential export markets, determine ways of reducing transportation costs through the innovative use of domestic waterways and waterway facilities, and to identify institutional changes, including a state marketing program, that could increase export activity.

Participants in the project included the Business Assistance Division and Transportation Division in the Department of Commerce, the Agricultural Development Division in the Montana Department of Agriculture, the Port of Montana and the Maritime Administration in the U.S. Department of Transportation.

The maritime project required the accomplishment of seven tasks:

- matching the selected priority export products with the most likely overseas markets;
 - obtaining in-depth information on selected target markets;
 - identifying transportation alternative costs;
 - analyzing innovative methods of improving the efficiency and cost of transportation of Montana exports, and
 - translating the findings into a marketing and transportation action plan.
- Examples of study conclusions include the observation that many of Montana's smaller shippers are unaware of national and state foreign trade programs, have little background in export activities and are not organized or staffed sufficiently to develop meaningful export programs.
- Montana exports are often handled by brokers who have direct contact with the market and draw from a number of potential suppliers. Consequently, many Montana shippers do not have direct contact with the market and cannot respond personally to market requirements.
- Also identified in the study is a need for agents in Southeast Asia and Europe who could represent Montana producers and products.
- In addition, because inland west-bound routes are relatively short, the reduced inland water transportation rates are not able to fully compensate for the additional handling costs associated with transshipment between modes. This finding points to a need for freight consolidators in Montana who can accumulate sufficient cargoes and negotiate volume rates.
- The report is available through the Transportation Division.
- identifying Montana commodities and products with a potential for export;
 - setting priorities for these products for the purpose of further study;

INCUBATOR NURTURES NEW BUSINESS

The Butte-Silver Bow local government is preparing to open the state's first business incubator project in mid-September or early October 1986. The facility, officially named the Butte-Silver Bow Business Development Center, is an economic development program that assists new businesses by housing them in a common facility that offers flexible lease space, shared secretarial and clerical services and business development assistance through center staff and contracted experts. Combining these necessary functions reduces tenants' overhead costs and enhances their chance for success.

The Department of Commerce played an important role in the center's development. In addition to providing funding for the project's initial feasibility study, Director Keith Colbo and Steve Huntington, administrator of the department's Office of Economic Analysis, both sit on the center's board of directors. Future involvement entails close coordination between the center and Build Montana programs such as the Montana Science and Technology Alliance, the Montana Economic Development Board and the Business Assistance Division.



The project, under the leadership of Butte-Silver Bow Chief Executive Don Peoples, will recruit businesses that develop or utilize innovative technologies, that manufacture products through light assembly processes or that otherwise sell goods or services which will bring new economic activity to southwestern Montana.

The project was identified in Butte-Silver Bow's 1984 overall economic development plan as a program with multiple goals: to assist small business development; to expand the economic base by creating jobs in the small business sector, and to reduce the percentage of small business failures.

A feasibility study, funded by the Department of Commerce, was conducted for Butte-Silver Bow in May 1985 by Job Creation Limited, a firm with business incubator experience in Europe and the U.S. It reported a great wealth of technical expertise and entrepreneurial spirit in Butte and encouraged Butte-Silver Bow to pursue the proposed project.

After the study was completed, building and funding sources were examined and the former Boy's Central High School, located at 305 West Mercury, was identified as a possible site. The property and building were given to Butte-Silver Bow by Bishop Elden Curtis of the Catholic Diocese of Helena. The building, located in the central business district, is a three-story structure that can house all the incubator's proposed activities.

Funding for the incubator startup comes from three sources: the city-county government will receive a \$600,000 grant (\$500,000 for renovation and \$100,000 for operations) under Economic Development Administration Title IX funds; a \$200,000 grant from Butte's Urban Revitalization Agency for operating expenses, and additional revenue will be derived from tenant rents.

Butte-Silver Bow has contracted with the National Center for Appropriate Technology (NCAT) to assist in the recruitment of technology-based businesses, the development of tenant businesses and in the general management of the incubator. The center began accepting applications for space in mid-July.

For more information about the Business Development Center contact James J. Kambich, director, P.O. Box 3809, Butte, Montana 59702 or phone (406) 782-0463.

MADE IN MONTANA

The Capital Hill Mall in Helena and the Department of Commerce recently sponsored a Montana-made products show that attracted 56 producers. The show lasted two days and featured products in such categories as leisure and recreational equipment, furniture, historical equipment or replicas, food products, Montana art, pottery, crafts and many novelty items.

Discussions with exhibitors and mall management indicated that the show was a success, particularly in drawing the public to the mall. Many participants sold all their products the first day. Other shopping malls throughout the state have since expressed interest in sponsoring a similar gathering with the next "Made-in-Montana" show tentatively scheduled for early November at the Rimrock Mall in Billings.



The Coordinator of Indian Affairs is now publishing a newsletter entitled **Council Signals**, which includes information of specific interest to Montana's Indian population including federal and state legislative items, recent court decisions and a calendar of events.

If you are interested in receiving a copy of the monthly publication or have an appropriate news item, contact Cheryl Zwang at 444-3702.

1985 COUNTY POPULATION ESTIMATES

The U.S. Bureau of the Census recently released provisional population estimates for Montana counties for 1985. These data will be replaced by revised estimates in late 1986.

The method for developing the estimates used federal tax data to measure the net intercounty migration of the household population under 65 years old, reported birth and death statistics to estimate net natural change, and data on Medicare enrollees to estimate the population 65 years old and over.

The data presented in the table show a wide variation of population growth for Montana counties over the period of 1980-1985. The estimates have been rounded to the nearest hundred. Percentages were based on the unrounded numbers.

Population growth was experienced by 37 counties (three of which had growth of less than 1%). The fastest growing counties were Rosebud, Richland, Jefferson, Gallatin, Golden Valley (absolute growth of only about 100 people), Yellowstone, Ravalli, Roosevelt and Stillwater. All these counties had estimated growth rates for 1980-1985 of more than 10%, or twice Montana's growth rate.

Overall, 19 counties were estimated to have declined in population, with seven of these showing a decline of less than 1%, well within the error bound of the estimates. Deer Lodge and Silver Bow counties, however, declined at about twice Montana's population growth rate over the 1980-85 period.

All the estimates are subject to error because the estimation methodology tends to be more accurate for larger counties and for areas with steady growth or decline. Thus, the estimated growth for relatively small Golden Valley county may be overstated, along with the economically volatile counties of Richland and Rosebud.

STATE AND COUNTY	JULY 1, 1985 (ESTIMATE)	APRIL 1, 1980 (CENSUS)	CHANGE, 1980 TO 1985	
			NUMBER	PERCENT
Montana	826,000	786,690	40,000	5.0
Beaverhead	8,600	8,186	400	5.1
Big Horn	11,600	11,096	500	4.6
Blaine	7,100	6,999	100	2.1
Broadwater	3,500	3,267	200	6.8
Carbon	8,600	8,099	500	6.1
Carter	1,700	1,799	-100	-3.2
Cascade	80,300	80,696	-400	-.5
Chouteau	6,100	6,092	0	.3
Custer	13,300	13,109	200	1.4
Daniels	2,700	2,835	-200	-5.6
Dawson	11,700	11,805	-100	-.8
Deer Lodge	11,000	12,518	-1,500	-11.9
Fallon	3,700	3,763	0	-.5
Fergus	12,800	13,076	-200	-1.8
Flathead	56,800	51,966	4,900	9.3
Gallatin	48,200	42,865	5,300	12.4
Garfield	1,700	1,656	100	3.7
Glacier	11,500	10,628	800	8.0
Golden Valley	1,100	1,026	100	11.9
Granite	2,700	2,700	0	-.9
Hill	18,100	17,985	100	.8
Jefferson	8,000	7,029	1,000	14.0
Judith Basin	2,700	2,646	100	2.0
Lake	20,800	19,056	1,700	9.2
Lewis and Clark	46,100	43,039	3,100	7.1
Liberty	2,500	2,329	200	9.4
Lincoln	18,800	17,752	1,000	5.7
McCone	2,500	2,702	-200	-5.7
Madison	5,900	5,448	400	7.8
Meagher	2,200	2,154	0	.3
Mineral	3,600	3,675	-100	-1.8
Missoula	77,300	76,016	1,300	1.7
Musselshell	4,800	4,428	400	8.7
Park	13,300	12,869	400	3.4
Petroleum	700	655	0	-.8
Phillips	5,700	5,367	400	6.7
Pondera	6,900	6,731	200	3.2
Powder River	2,500	2,520	-100	-2.4
Powell	6,800	6,958	-200	-2.9
Prairie	1,800	1,836	0	-2.0
Ravalli	25,000	22,493	2,500	11.0
Richland	14,200	12,243	2,000	16.4
Roosevelt	11,600	10,467	1,200	11.0
Rosebud	13,500	9,899	3,600	36.0
Sanders	9,200	8,675	600	6.4
Sheridan	5,800	5,414	300	6.4
Silver Bow	34,300	38,092	-3,800	-10.0
Stillwater	6,200	5,598	600	11.0
Sweet Grass	3,300	3,216	100	3.8
Teton	6,500	6,491	0	-.2
Toole	5,700	5,559	100	2.6
Treasure	1,000	981	0	4.4
Valley	9,600	10,250	-600	-6.1
Wheatland	2,300	2,359	0	-.6
Wibaux	1,400	1,476	-100	-3.9
Yellowstone	120,600	108,035	12,600	11.6
Yellowstone National Park	100	66	0	-1.5

Source: U.S. Bureau of the Census, Current Population Reports, Series P-26, No. 85-52-C.

MONTANA CAPTURES HOLLYWOOD'S HEART

If the scenes on your checks look familiar next year, it's because the Checkrite Company is in Montana loaded down with cameras and looking for scenic vistas. It's a task made easier by Movie Locations Coordinator Garry Wunderwald who, for the past 10 years, has been helping movie scouts and ad agencies find film location sites in the Big Sky Country.

When a film or commercial is sited in Montana, the economic benefit to the state is substantial, both in terms of dollars and jobs. Wunderwald estimates that by summer's end, total revenues to the state from filming activity will be approximately \$6 million and that nearly 2,000 Montanans will have received temporary, lucrative employment.

Projects currently being filmed in the state include two major motion pictures, several commercials and many still photography projects like the Checkrite project.

"Amazing Grace and Chuck," a Turnstar production, is currently on location in the Bozeman/Livingston area. The film explores the relationship between a young boy and a professional basketball player. Shooting began on July 8 and will run through the end of August. Approximately 1,100 actors and extras were hired through a statewide talent search and 20-30 other Montanans have been hired full time to assist with the production.

"Stacking," a feature film being shot in the Billings area, concerns the plight of a rural family in the 1950s. Crews began shooting July 7 and should be finished by the end of the month. At least 100 extras have been hired and 13 Montanans have speaking parts.

After months of scouting, the Miller Beer Company has decided that Montana has that "born in America" look and is currently shooting two 60-second and four 15-second

commercials in several Montana locations, including Lewistown, Geraldine, Denton, Chester, Great Falls and Kalispell. The Miller crew will spend at least \$15,000 per day in the state during the 10-day shoot. In addition, more than 20 Montanans have been hired as talent.

A Japanese firm also recently wrapped up a four-day shoot in the Red Lodge area. At least two production assistants were hired for the duration of the project.

Because the movie business is so lucrative in economic terms, the competition between states to lure companies is quite fierce. Wunderwald will spend most of his summer helping scouts find everything from trained elk to military aircraft. He is currently scouting locations for Busch Beer, the Winchester Firearms Co., Audi, Porsche, Dodge, Chevrolet and four additional feature films scheduled for 1986.

Can We Help You?

Keith L. Colbo, <i>Director</i>	444-3797
Business Assistance Division, Carol Daly, <i>Administrator</i>	444-3923
Business Regulation Division, W. James Kembel, <i>Administrator</i>	444-3737
Legal Unit and Consumer Affairs, Brinton Markle, <i>Chief Counsel</i>	444-4314
Local Government Assistance Division, Newell Anderson, <i>Administrator</i>	444-3757
Montana Board of Housing, Jay McLeod, <i>Administrator</i>	444-3040
Montana Economic Development Board, Robert Pancich, <i>Administrator</i>	444-2090
Montana Health Facility Authority, Jack Nielson, <i>Administrator</i>	444-5435
Office of Economic Analysis, Steve Huntington, <i>Administrator</i>	444-3814
Montana Promotion Division, John Wilson, <i>Administrator</i>	444-2654
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Management Services Division, Andy Poole, <i>Administrator</i>	444-5432
Coordinator of Indian Affairs, Donald Clayborn, <i>Coordinator</i>	444-3702

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